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AUTHORITIES

PENSION PLAN

ANNUAL REPORT

for the fiscal year ended March 31, 1993



PROVINCIAL TREASURER

224 Legislature Building, Edmonton, Alberta Canada T5K 2B6



The Speaker of the Assembly

Sir:

Pursuant to section 4 of the Local Authorities Pension Plan Act, being Chapter L-28.1 of the 1985 Statutes of Alberta, I have the honour to lay before the Assembly the annual report on the operation of the Local Authorities Pension Plan for the fiscal year ended March 31, 1993.

Respectfully submitted,

**Jim Dinning
Provincial Treasurer**



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Introduction

The Local Authorities Pension Plan was established effective April 1, 1962, by the Local Authorities Pension Act to provide a contributory pension scheme for employees of local authorities in Alberta. Local authorities include cities, towns, counties, municipal districts, hospitals, school divisions and districts, and other public bodies in Alberta approved by the Lieutenant-Governor in Council.

The Local Authorities Pension Act was repealed on November 1, 1985, and replaced by the Local Authorities Pension Plan Act. Under the new legislation, policy and administration became the responsibility of the Lieutenant-Governor in Council and the Minister respectively, while the Local Authorities Pension Plan Board was assigned an advisory and appellate role.

In June 1990, the federal Income Tax Act was amended to give effect to a reform of the rules

governing tax assistance for retirement savings. In order to retain its status as a tax registered pension plan, the Local Authorities Pension Plan required amendment effective January 1, 1992. Accordingly, the Pension Statutes (Transitional Arrangements) Act, 1991 was passed to effect the changes. This Act was subsequently repealed and its provisions incorporated in the Pension Statutes Amendment and Miscellaneous Provisions Act, 1992.

In March 1992, the Provincial Treasurer and the Local Authorities Pension Plan Board announced the terms of an agreement relating to the funding and management of the plan. In May 1993 the Public Sector Pension Plans Act containing the agreed pension reform was passed. The terms contained in the Act take effect on proclamation by the Lieutenant Governor in Council. The information in this report is based on the legislation in effect from April 1, 1992 to March 31, 1993.

Plan Overview

The Local Authorities Pension Plan is a contributory defined benefit plan. Effective August 1, 1992, employee contributions were increased to 4.462 percent of basic salary, up to the year's maximum pensionable earnings under the Canada Pension Plan, and 6.337 percent on any excess. The previous rates were 4.375 and 6.25 percent. The employer contributes at a rate of 1 percent higher than the rate of the employee contributions. As provided by legislation, the August 1, 1992 employee and employer contribution increases will be set aside to assist in meeting the unfunded liability resulting from pensionable service prior to January 1, 1992. In addition, the Government of Alberta contributes a further 0.225 percent of total pensionable earnings towards meeting the unfunded liability. In order to comply with the amended federal Income Tax Act, contributions are limited

to those applicable to pensionable earnings up to \$95,711 for the 1992 and 1993 calendar years.

Members may retire at any time after age 55 if they have accumulated five years of pensionable service. For the purposes of this plan, normal pensionable age is 65. Members may also retire on an unreduced pension at any time after age 55 providing that pensionable service plus age totals not less than 85. There is no mandatory retirement age although federal tax legislation requires that pension payments must begin no later than the end of the year in which the member reaches age 71. Therefore, contributions will not be required and service will not accrue beyond that date.

Pension benefits are based on the number of years of pensionable service multiplied by 1.4 percent of

Plan Overview (Cont'd)

salary up to the maximum pensionable earnings under the Canada Pension Plan and 2 percent of the excess salary. Salary is calculated as the highest average pensionable earnings for five consecutive years. Pension benefits earned after December 31, 1991, are subject to the maximums imposed by the Income Tax Act. The maximum benefit that can be earned for the 1992 and 1993 years of service is \$1,722, which equates to maximum pensionable earnings of \$95,711.

If the member has a spouse, unless a waiver is signed by the spouse, the pension must be a joint pension guaranteed for the life of the member and spouse. The normal form of a pension is for the life of the member with a five year guarantee period. Up to December 31, 1991, single members could elect a single life pension, a normal pension, or a life pension with a 10, 15, or 20, year guarantee

period. After January 1, 1992, in accordance with the revised Income Tax Act, the 20 year guarantee option is no longer available. Members may also elect a joint life pension based on their life and that of a nominee.

The plan also makes provision for those members who die prior to retirement and have accumulated at least five years of pensionable service. In such cases, the surviving spouse is entitled to either a spousal pension or a lump sum benefit. The spousal pension is equal to the survivor benefit of a non-reduced joint life pension. A beneficiary other than a spouse must accept a lump sum benefit.

Effective April 1, 1992, pension plan administration costs are charged to the Pension Fund. Previously these costs were borne by the General Revenue Fund of the Province of Alberta.

Review of Operations

The Local Authorities Pension Plan is administered by the Payroll and Pensions Division of Alberta Treasury.

A major emphasis of the Administration has been the automation of pension processing functions. The benefits of computer system automation will only be fully realized when pension transactions can be completed with a minimum of manual intervention. Accordingly, one of the Pension Administration's foremost long term objectives has been to develop a reliable information data base. Significant progress was made during the year in verifying historical contributor data records as a step towards this objective.

The Administration continues to be actively engaged in the process of pension plan reform. During the year the Division assisted in the development and review of proposed legislation, and commenced work on developing the accounting, communications, and computer systems changes necessary to implement the reforms. Pursuant to the passage of the Pension Statutes Amendment and Miscellaneous Provisions Act, 1992, procedures were implemented to account for additional pension contributions and to account and report separately for administration costs.

Actuarial Liabilities

An independent actuarial valuation of the Local Authorities Pension Plan was carried out at December 31, 1991. The valuation took account of the benefit adjustments required by the application of the revised federal tax rules. In addition, based upon consultations between the Government and the Pension board, revised economic and

demographic assumptions were incorporated into the valuation. The valuation estimated the accrued liability of the Local Authorities Pension Plan at December 31, 1991, to be \$4,316,000,000. The normal actuarial cost of the plan as a percentage of payroll was estimated at 9.6 percent.

Participation

At March 31, 1993, there were 497 employers participating in the Local Authorities Pension Plan, 86,149 active contributors, and 4,326 terminated employees who had either not made a choice regarding their plan status or were awaiting a deferred pension.

A summary of the types of participating employers and the number of participants is provided in the section on contributions.

Book Entry Transfers

The following transfers to and from other pension plans administered by the Province of Alberta were made by book entry during the year. These

transfers are not reflected in the Statement of Receipts and Payments.

	Transfers To Local Authorities Pension Plan		Transfers From Local Authorities Pension Plan	
	Number	Amount \$	Number	Amount \$
Public Service Pension Plan	283	5,261,603	90	1,358,222
Public Service Management Pension Plan	6	237,864	5	40,275
Special Forces Pension Plan	-	-	8	48,916
Universities Academic Pension Plan	-	-	6	248,206
	289	5,499,467	109	1,695,619

Review of Operations

The Local Authorities Pension Plan is administered by the Payroll and Pensions Department of Alberta Treasury.

A major emphasis of the Administration has been the automation of pension processing functions. The Local Authorities Pension Plan Administration will only be 100% machine when pension processing and payroll processing are fully automated. The Local Authorities Pension Plan Administration is currently in the process of automating its pension processing functions. Significant progress has been made during the year in automating pension processing functions. The Local Authorities Pension Plan Administration is currently in the process of automating its pension processing functions. Significant progress has been made during the year in automating pension processing functions. The Local Authorities Pension Plan Administration is currently in the process of automating its pension processing functions. Significant progress has been made during the year in automating pension processing functions.

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Reciprocal Agreements

At March 31, 1993, the Local Authorities Pension Plan had reciprocal transfer agreements in effect with the following pension authorities. The agreements enabled participants to transfer pension credits to and from these authorities.

Within Alberta

- Alberta Teachers' Retirement Fund
- Public Service Management Pension Plan
- Public Service Pension Plan
- Special Forces Pension Plan
- Universities Academic Pension Plan

Outside Alberta

- Canada Mortgage and Housing Corporation
- Dalhousie College and University
- Government of Canada
- Health Sciences Centre of Manitoba
- Manitoba Civil Service Superannuation Board
- Manitoba Municipal Employees Benefits Board

- Minister of Finance, Government of New Brunswick
- Minister of Finance, Government of Prince Edward Island
- Ontario Colleges of Applied Arts and Technology
- Ontario Municipal Employees Retirement Board
- Ontario Teachers' Superannuation Commission
- Regina Civic Employees' Superannuation and Benefits Plan
- Saint Paul University
- Saskatchewan Crown Investments Corporation
- Saskatchewan Health Care Association
- Saskatchewan Municipal Employees' Superannuation Commission
- Saskatchewan Power Corporation Superannuation Board
- Saskatchewan Teachers' Superannuation Commission
- University of Manitoba

Reciprocal Transfers

During the year ended March 31, 1993, the following number and value of reciprocal transfers were undertaken:

	Transfers To Local Authorities Pension Plan		Transfers From Local Authorities Pension Plan	
	Number	Amount \$	Number	Amount \$
Alberta Teachers' Retirement Fund	5	129,255	8	471,365
Government of Canada	10	311,193	5	51,606
Ontario Municipal Employees Retirement Board	-	-	3	138,996
Saskatchewan Health Care Association	7	336,143	5	68,836
Other	5	230,512	4	150,188
	27	1,007,103	25	880,991

Contributions

The schedule below summarizes the employee and employer contributions for the year ended March 31, 1993:

	Participants At March 31, 1993	Contributions Received		
		Employee \$	Employer \$	Total \$
Cities	22,473	44,021,435	51,012,941	95,034,376
Towns	1,850	2,599,283	2,918,282	5,517,565
Villages	94	120,426	121,759	242,185
Counties	3,435	4,639,915	5,232,720	9,872,635
Municipal Districts	744	1,166,176	1,291,993	2,458,169
School Districts	10,546	12,311,480	13,971,690	26,283,170
Commissions	186	359,031	416,040	775,071
Hospitals	34,105	52,763,547	58,058,055	110,821,602
Other	12,716	23,068,907	26,336,284	49,405,191
Accounts Held on Deposit	4,326	1,261	-	1,261
	90,475	141,051,461	159,359,764	300,411,225

Refunds

The following amounts of member contributions and interest were refunded to members terminating employment:

In addition, 260 refunds of excess contributions totalling \$80,662 were made to members and employers during the year.

	Number	Amount \$
Cash	1,909	6,686,065
Registered Retirement Savings Plans or Registered Pension Plans outside of a reciprocal agreement	1,495	9,802,800
	3,404	16,488,865

Death in Service Benefits

In the current year, 133 members died while in service. Sixty-four of the surviving spouses were granted spousal pensions. Lump sums were paid to

a total of 94 individual beneficiaries in respect of the other 69 deaths in service.

Information and Counselling Services

Considerable work took place during the year in updating pension plan documentation to reflect changes to the pension plan resulting from federal income tax amendments.

In March 1992, the Provincial Treasurer and the Local Authorities Pension Plan Board announced that an agreement had been reached regarding pension reform. Eleven employer workshops were presented on the *Terms of the Agreement*. Three hundred and forty-one employer representatives attended these seminars. Fourteen orientation workshops were attended by 177 employer representatives.

In addition, there were 28 regular employee seminars presented to 1,283 employees and eight pre-retirement seminars presented to 207 employees.

The Alberta Retired Public Employees Society was assisted by Payroll and Pensions with the publication of their quarterly newspaper, *Postscript*.

Annual statements containing information on pensionable service, contributions, and prior service were produced and forwarded to employers for distribution to active participants in the plan.

Pension Benefits

During the year ended March 31, 1993, pension benefits paid totalled \$178,497,453; an increase of \$15,125,295 (9.3 percent) over the previous year.

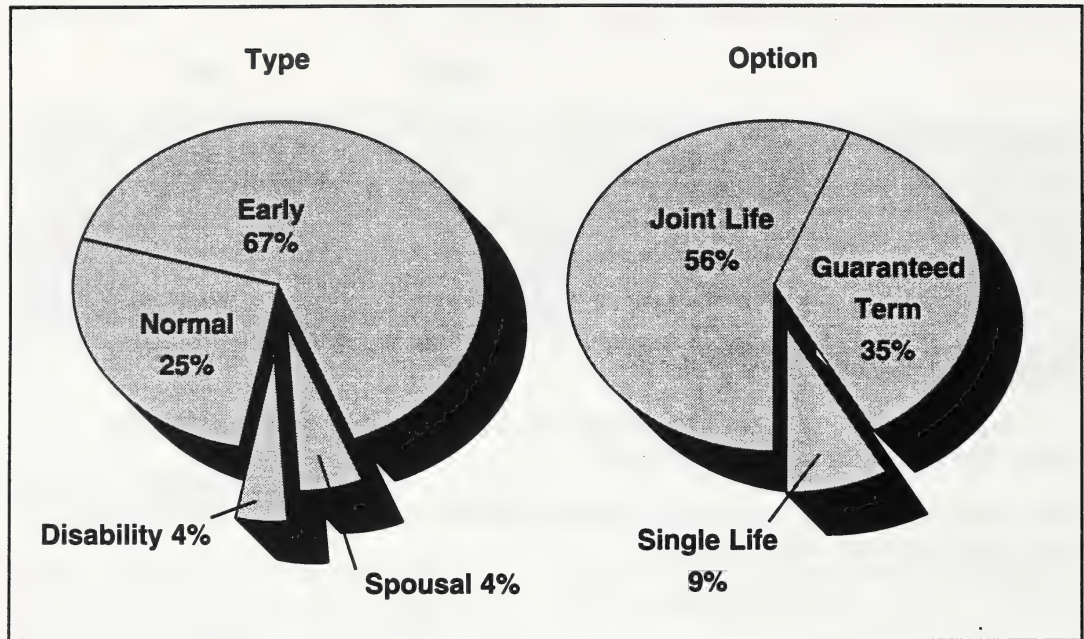
A total of 1,483 pensions were granted in the categories shown in the table below. Previous year figures are included for comparison.

	1993		1992	
Normal Retirement	371		329	
Early Retirement	993	(612)	1,017	(623)
Partial or Total Disability	55	(23)	74	(30)
Death-in-Service (Spousal)	64	(21)	58	(22)
	1,483	(656)	1,478	(675)

() Brackets denote pensions co-ordinated with Canada Pension Plan (CPP) and/or federal Old Age Security (OAS) payments.

Of the above retirements, 263 were in respect of deferred retirements from previous years (34 normal, 202 early, and 27 disability).

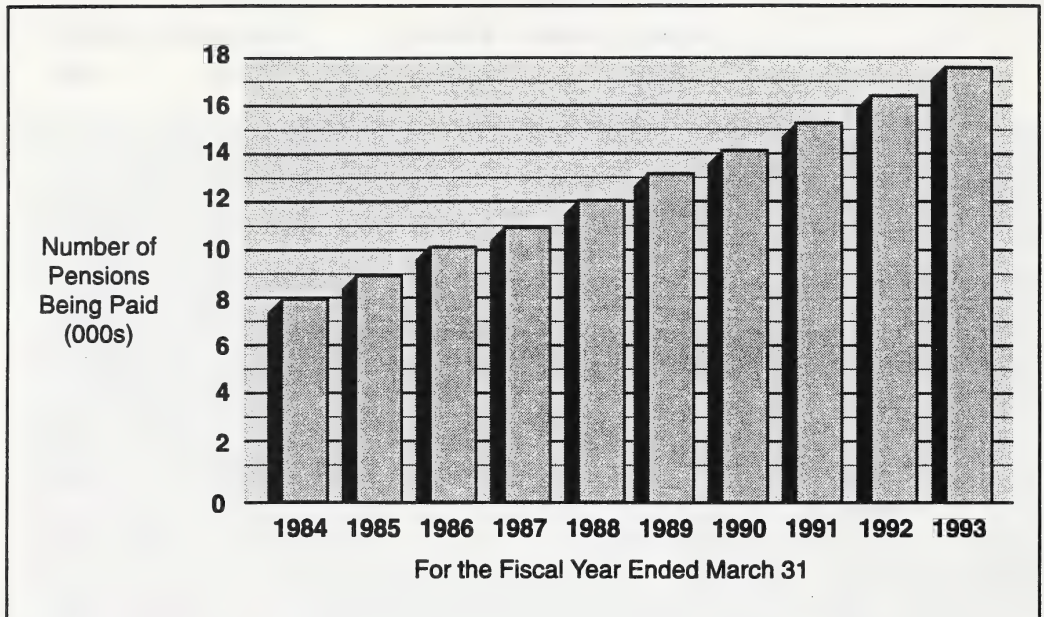
The charts below illustrate the relative proportions of retirements during the year by type of pension and option chosen:



Pension options selected by members were as follows:

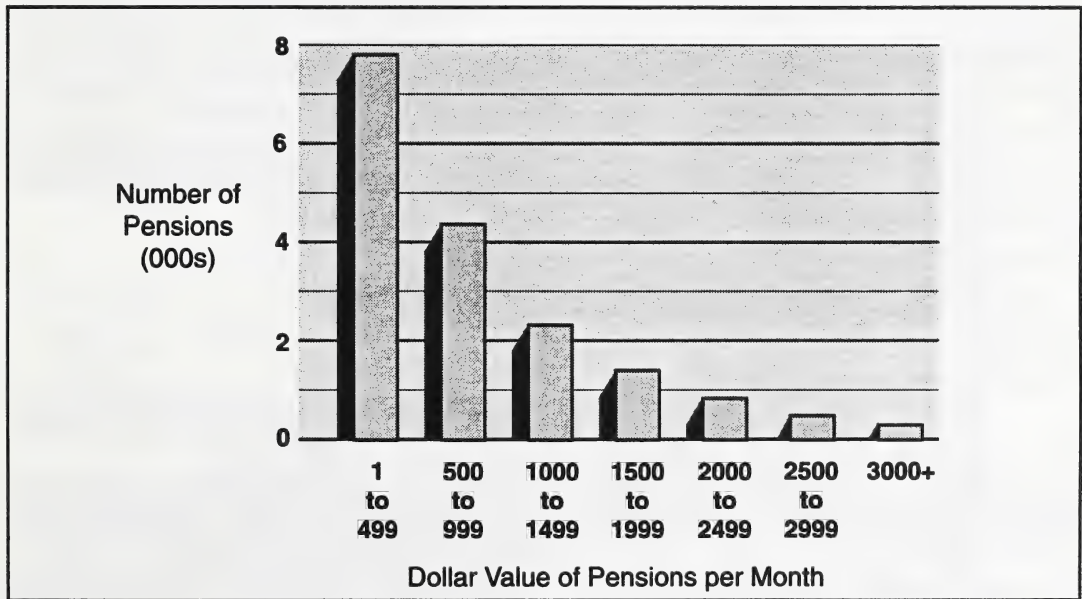
	At April 1, 1992	New Retire- ments	Benefi- ciaries	Deaths	End of Guarantee Term	At March 31, 1993
Member Pensions						
Normal (guaranteed 5 years)	2,259	147	8	(55)	(8)	2,351
Single Life	1,668	122		(60)		1,730
Guaranteed 10 years	2,444	85	24	(82)	(36)	2,435
Guaranteed 15 years	2,224	192	34	(62)	(44)	2,344
Guaranteed 20 years	1,921	44	31	(37)	(8)	1,951
Joint Life non-reduced	3,350	606	46	(54)		3,948
Joint Life reduced one third	1,192	205	20	(24)		1,393
Joint Life reduced one half	297	18	12	(11)		316
Spousal Pensions						
Single Life	248	12		(8)		252
Guaranteed 5 years	72	6	2	(2)		78
Guaranteed 10 years	111	6		(2)		115
Guaranteed 15 years	110	30				140
Guaranteed 20 years	523	10	1	(4)	(1)	529
Total Pensions	16,419	1,483	178	(401)	(97)	17,582
Pensions Co-ordinated with CPP and/or OAS	7,632	656	72	(145)	(51)	8,164

The number of pensions being paid at the end of each of the last 10 years is presented in the graph below:



The schedule and graph below categorize the pensions in effect at March 31, 1993, by dollar value of monthly pension:

Dollar Value Per Month \$	Member Pensions	Spousal Pensions	Total
1 to 499	7,269	560	7,829
500 to 999	4,003	343	4,346
1,000 to 1,499	2,261	127	2,388
1,500 to 1,999	1,379	61	1,440
2,000 to 2,499	789	18	807
2,500 to 2,999	441	5	446
3,000 and over	326	-	326
	16,468	1,114	17,582



Effective January 1, 1993, a cost of living adjustment of 1.28 percent was granted to those pensioners in receipt of a pension for one year or

more with a proportionately smaller increase granted to those retiring during the calendar year 1992.

Statement of Receipts and Payments

Year Ended March 31, 1993

	1993	1992
	\$	\$
RECEIPTS		
Employee contributions	136,317,929	133,314,724
Employer contributions	154,626,232	151,656,403
Additional contributions - Employee	4,733,532	-
Employer	4,733,532	-
Government	4,057,313	-
Interest on overdue receivables	12,923	18,901
Total Receipts	304,481,461	284,990,028
PAYMENTS		
Benefits		
Pensions to retired members	167,746,008	153,546,386
Pensions to surviving spouses	8,708,015	8,188,856
Lump sums to beneficiaries of deceased pensioners	897,147	644,204
Lump sums to beneficiaries of deceased employees	1,146,283	992,712
	178,497,453	163,372,158
Withdrawals		
Refunds of contributions and interest		
to terminated members	16,488,865	21,042,832
Reciprocal agreement transfers	880,991	1,031,606
Refunds of excess contributions	80,662	54,028
	17,450,518	22,128,466
Administration Costs	5,172,899	-
Total Payments	201,120,870	185,500,624
Excess of Receipts over Payments	103,360,591	99,489,404

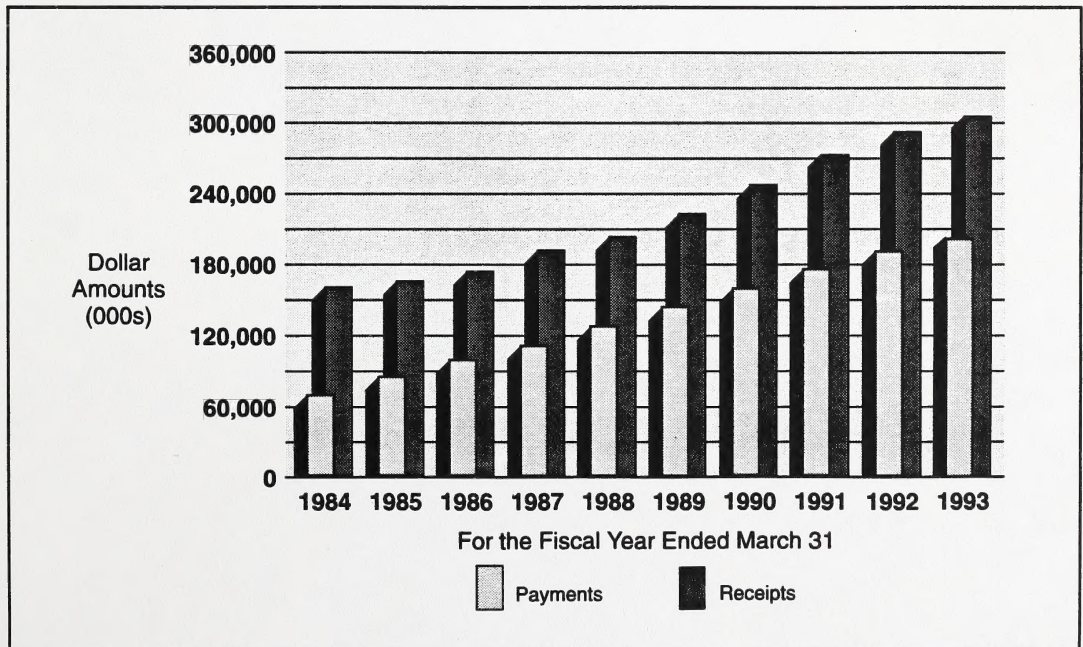
Note: The receipts and payments shown above do not reflect transfers of contributions and interest to and from other pension plans administered by the Alberta government. Such transfers are detailed under Book Entry Transfers.

Comparative Statistics

The table below shows comparative statistics of receipts and payments for the most recent five

fiscal years. In addition, a graph is presented to illustrate a 10 year trend.

(000s)									
Fiscal Year	RECEIPTS				PAYMENTS				Excess of Receipts Over Payments
	Employee	Employer	Additional Contributions	Total	Benefits	Withdrawals	Administration Costs	Total	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
1992/93	136,318	154,639	13,524	304,481	178,497	17,451	5,173	201,121	103,360
1991/92	133,315	151,675		284,990	163,372	22,129		185,501	99,489
1990/91	123,934	141,774		265,708	147,966	22,715		170,681	95,027
1989/90	112,227	128,718		240,945	133,488	21,505		154,993	85,952
1988/89	101,201	116,212		217,413	119,753	20,071		139,824	77,589



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